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MELVILLE SHOE CORPORATION



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NOT TO BE TAKEN AWAY

Annual Report
1928

MELVILLE
SHOE CORPORATION

Operating

"JOHN WARD MEN'S SHOES"

"RIVAL SHOE STORES"

"THOM McAN"



Annual Report
1928

MELVILLE SHOE CORPORATION
555 FIFTH AVENUE, NEW YORK

OFFICERS

FRANK MELVILLE, JR.

President

WARD MELVILLE

Vice-President, Secretary

ELBERT R. ALLEN

Treasurer, Assistant Secretary

TO OUR STOCKHOLDERS:

I take pleasure in sending you herewith the Annual Report of the Melville Shoe Corporation, for the year ended December 31, 1928, this being the first report which has been made to Stockholders since the Common Stock was listed on the New York Stock Exchange.

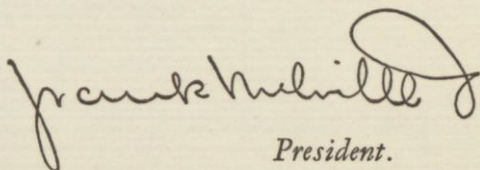
A comparison of the results of the past few years will show the marked progress made during last year. The total sales increased by 26%, while the sales for stores established prior to 1928 have increased by 5%. During the past year a total of 89 new stores were opened, so that on December 31, 1928, we were operating 410 stores. As you will note from the attached consolidated balance sheet the condition of the Corporation was very liquid.

I regard these results as most satisfactory, and would particularly point out the fact that the net earnings for the year showed a substantial increase over those of the previous year, although large expenses were charged off for the opening of new stores.

It may interest our new Stockholders to know that this Company has 38 years of experience in retail shoe merchandising, supported by one of the most experienced and efficient chain store organizations in the country. I look forward to a continuance of good business during 1929.

I take this occasion to express our appreciation of the loyalty of our executives and employees, which has contributed much to the success of our business.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Frank Melville". The signature is fluid and cursive, with a large, looping initial "F".

President.

February 16, 1929

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MELVILLE SHOE CORPORATION

CONSOLIDATED

as of December 31, 192

ASSETS

	1928	1927
Current Assets:		
Cash in Banks and on Hand..	\$1,317,584.28	\$1,144,238.85
Call Loans, Secured.....	.....	550,000.00
Notes Receivable.....	570.76	14,335.60
Accounts Receivable.....	413,685.82	172,798.18
Inventories at Cost or Market, whichever is lower.....	4,611,489.42	2,791,451.12
	<u>\$6,343,330.28</u>	<u>\$4,672,823.75</u>
Advances to Officers and Em- ployees.....	14,018.04	25,293.85
Prepaid Rents, Insurance, Sup- plies, etc.....	140,920.92	118,285.35
Deposits on Leases, Cash.....	.....	705.00
Investments:		
Life Insurance Policies, Cash Surrender Value.....	\$29,750.00	\$26,719.50
Stock of Other Companies...	56,800.00	25,800.00
Mortgage Receivable.....	3,000.00	4,000.00
	<u>\$89,550.00</u>	<u>\$56,519.50</u>
Preferred Stock Held in Treasury (at Cost) and Advances on Pur- chases of Additional Preferred Stock.....	.....	11,557.00
Fixed Assets:		
Real Estate and Leasehold Property.....	\$886,355.54	\$558,121.77
Store and Office Fixtures, Alter- ations, and Improvements to Leased Store Property and Miscellaneous Equipment..	3,532,946.32	2,510,040.09
	<u>\$4,419,301.86</u>	<u>\$3,068,161.86</u>
Less: Reserve for Depreciation	1,083,469.73	780,722.65
	<u>\$3,335,832.13</u>	<u>\$2,287,439.21</u>
Deferred Charges.....	112,146.55	63,127.27
	<u>\$3,447,978.68</u>	<u>\$2,350,566.48</u>
	\$10,035,797.92	\$7,235,750.93

BALANCE SHEET

and December 31, 1927

		<i>LIABILITIES</i>	
		1928	1927
Current Liabilities:			
Notes Payable, Bank.....	\$900,000.00		
Accounts Payable.....	1,293,919.87		\$1,222,586.40
Accrued Liabilities.....	62,305.54		76,912.13
Federal Income Tax and New York State Franchise Taxes.	232,873.90		203,549.13
		\$2,489,099.31	\$1,503,047.66
Deposits on Sub-leases and Store Managers Security Deposits		95,513.01	15,654.85
Mortgages Payable.....		500,000.00	270,000.00
Reserve for Self-insurance and Store Replacements.....		85,329.36	46,293.84
Capital Stock and Surplus:			
6% Cumulative, 1st Preferred Stock, Authorized 50,000 Shares Par Value \$100 Each, Issued 25,000 Shares.....		2,500,000.00	
6% Cumulative, 2nd Preferred Stock, Authorized and Issued 100,000 Shares, Par Value \$5.00 Each.....		500,000.00	
Common Stock, Authorized 400,000 Shares of No Par Value, Issued 354,376 Shares (Declared Value \$1.25 per Share).....		442,970.00	
Common Stock, Warrants Entitling Holders to Purchase 22,500 Shares at \$100 per Share On or Before August 1, 1931, Outstanding on December 31, 1928.....			
8% Cumulative Preferred Stock; Authorized 30,000 Shares Par Value \$100 Each; Issued 19,285 Shares Less Retired 1,722 Shares.....			1,756,300.00
Common Stock, Authorized 100,000 Shares of No Par Value; Issued 86,081 Shares (Declared Value \$5.00 per Share).....			430,405.00
Paid in Surplus.....		835,349.00	759,959.00
Surplus Appropriated for Redemption of Preferred Stock			167,415.00
Operating Surplus.....		2,587,537.24	2,286,675.58
		\$10,035,797.92	\$7,235,750.93

MELVILLE SHOE CORPORATION

555 FIFTH AVENUE, NEW YORK

Consolidated Profit and Loss Account

	Year Ended Dec. 31, 1928	Year Ended Dec. 31, 1927
Sales	\$22,552,353.43	\$17,799,943.96
Cost of Sales	15,058,603.84	11,824,475.14
	\$7,493,749.59	\$5,975,468.82
Store Administrative and General Expense	\$5,474,481.58	\$4,379,132.49
Depreciation	309,964.78	234,745.97
	\$5,784,446.36	\$4,613,878.46
Net Operating Profit of Stores	\$1,709,303.23	\$1,361,590.36
Add: Miscellaneous Income	285,989.40	176,692.72
	\$1,995,292.63	\$1,538,283.08
Less: Interest	27,408.47	7,280.65
Miscellaneous Charges to Income	101,591.66	139,257.66
	\$129,000.13	\$146,538.31
Net Income of Selling Companies	\$1,866,292.50	\$1,391,744.77
Add Net Income of Subsidiary Realty Company	23,720.67	42,956.35
	\$1,890,013.17	\$1,434,701.12
Deduct Federal Taxes on Profits (Estimated for 1928)	232,873.90	203,549.13
Net Income for Period	\$1,657,139.27	\$1,231,151.99
Common Shares Outstanding, End of Period	354,376	86,081*
Earned on Amount of Common Shares Outstanding at End of Each Period After Deducting Preferred Dividends Paid	\$4.23	\$13.01*

* Before 4 for 1 split-up

Consolidated Operating Surplus Account

	Year Ended Dec. 31, 1928	Year Ended Dec. 31, 1927
Surplus at Beginning of Period	\$2,290,224.71	\$1,537,039.14
Add: Net Income for Period	1,657,139.27	1,234,701.12
Profit on Redemption of 8% Preferred Stock Owned ....	.....	217.00
Restoration of Surplus Appropriated to Retire 8% Preferred Stock	167,415.00	.....
	\$4,114,778.98	\$2,771,957.26
Deduct Dividends:		
Preferred Stock (All Classes)	157,543.07	111,353.80
Common Stock	351,893.00	241,557.75
Preferred Stock Dividend Distributed on Common Stock ..	750,000.00	.....
	\$1,259,436.07	\$352,911.55
Adjustment of Federal Taxes for Prior Years	4,508.13	.....
Recapitalization Expenses Charged Off	263,297.54	.....
Amount Appropriated for Redemption of Preferred Stock ....	.....	54,321.00
Intangible and Deferred Assets Written Off .....	.....	74,500.00
	\$1,527,241.74	\$481,732.55
Surplus at End of Period	\$2,587,537.24	\$2,290,224.71

CERTIFICATE OF AUDITORS

We have audited the books and accounts of Melville Shoe Corporation and its subsidiary company for the year ended December 31, 1928, and certify that the attached Balance Sheet and Profit and Loss Account have been prepared therefrom and, in our opinion, correctly present the combined financial position of the Companies at December 31, 1928, and the result of their operations for the period.

The cash and bank balances and securities owned have been verified by count or inspection or by certificates and reports received from the holders. The accounts receivable are considered good and collectible.

Physical inventories, prepared by the Company, were submitted to us in respect of merchandise at the warehouse; we satisfied ourselves that the valuation was made on the basis of cost or market, whichever was lower. The inventories at the stores are stated in accordance with book figures, which are confirmed periodically by physical inventories, all stores having been checked within two months prior to December 31, 1928; ample provision has been made in respect of any adjustments that may prove necessary.

All ascertained liabilities, both direct and contingent, have been included in the accounts.

The charges to the fixed asset accounts during the year represent actual additions and improvements. The depreciation written off during the period appears to be adequate.

PEAT, MARWICK, MITCHELL & CO.

WORCESTER, MASS.

February 16, 1929.

